

AGENDA: MAYORAL COMMITTEE: 22 MARCH 2012

SUBSTITUTED ITEM

78. MEDIUM TERM INCOME AND EXPENDITURE FRAMEWORK: 2012/2013 (Directorate: Budget and Treasury Office) (5/1/1)(35793)

1. STRATEGIC THRUST

- 1.1 The Budget is the most important strategic planning document of the Council which will guide and determine the day to day actions necessary for the delivery of Municipal services to the Community.
- 1.2 Financial viability is the first priority in the IDP process and has an objective to practice sound and sustainable financial management. This is a responsibility of all managers of Council and will determine the continuous viability of the organisation.

2. PURPOSE OF THE REPORT

- 2.1 The requirements for the compilation and submission of the Budget are contained in Chapter 4 of the MFMA and Municipal Budget and Reporting Regulations.
- 2.2 The purpose of submitting the 2012/13 budget to council is to consider the Income and expenditure per category approve the tariffs to realise the budgeted income and to inform council about the limitations regarding the budget.

3. EXECUTIVE SUMMARY

3.1 Background

The budget process started in August 2011 when the IDP and Budget plan was approved by council. The budgets received every year from directorates exceed the available funds with two to three times and is proof that the needs of the community will always exceed the available funding.

National Treasury's MFMA Circular 58 was used to guide the compilation of the 2012/13 MTREF.

The main challenges experienced during the compilation of the 2012/13 MTREF can be summarised as follows:-

- The ongoing difficulties in the national and local economy.
- Aging and poorly maintenance of municipal assets.
- The increased cost of bulk water and electricity (due to the tariff increases from Rand water, Magalies Water and Eskom).
- Wage increases exceeding the consumer inflation, as well as the need to fill critical vacancies.
- Affordability to capital projects.

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The following budget principles and guidelines have directly informed the compilation of the 2012/13 MTREF.

- Intermediary service level standards should be utilised to subsequently inform the measurable objectives, targets and backlog eradication goals.
- Tariff and Property Rates increases should be affordable and on par with the headline inflation rate and according to circular 58 of National Treasury, taking into account the growth of the municipality and the need to address infrastructure backlogs.
- No budget will be allocated for external funded projects unless the request is supported by a written confirmation from the external source on the specific grant.
- No budget will be allocated to capital projects unless is included in the IDP.
- Directorates should undertake intensive periodic planning on their operating and capital budget components to ensure efficient and effective cash flow planning therefore eliminating possible wasteful and fruitless expenditure.
- All expenditure even if it is budgeted for, must be carefully considered to ascertain that the hard earned money of the public is not wasted and the principle of value for money must prevail.

MFMA circular 58 gave guidance in National priorities. Creating decent employment opportunities remains a national priority. In drafting their 2012/13 budgets Rustenburg continue to explore opportunities to mainstream labour intensive approaches to delivering services, and more particularly to participate fully in the Extended Public Works Programme. The budget allocation for EPWP amounts to R7,8 million. In the 2011/12 financial year the municipality employed more than 1200 employees from the EPWP budget for cleaning the city.

The circular guides that the municipalities should not just employ more people without any reference to the level of staffing required to deliver effective services, and what is financially sustainable over the medium term. The municipality ought to focus on maximizing its contribution to job creation by:

- Ensuring that service delivery and capital projects use labour intensive methods wherever appropriate. The municipality's operational and capital budget encourages labour intensive methods...
- Ensuring that service providers use labour intensive approaches. The municipality uses the guidelines of EPWP to enforce the labour intensive approach.
- Supporting labour intensive LED projects;
- Participating fully in the Extended Public Works Programme; and

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- Implementing interns programmes to provide young people with on-the-job training. Rustenburg have appointed 5 financial interns for a period of two years and their contract will end at the end of May. Another 8 interns will be appointed for the next two years. At the moment municipality has 8 interns from the SAICA programme being trained by the Deloitte and it will still continue this relationship. The municipality has appointed other interns for Rustenburg Rapid Transport project. This is an indication that Rustenburg is in support of on-the-job training.

Municipalities also play a critical role in creating an enabling environment for investments and other activities that lead to job creation. In this regard, it is important for municipalities to pay particular attention to ensuring the timely delivery of their capital programmes (eliminate under-spending of capital budgets) and to review all by-laws and development approval processes with a view to removing any regulatory bottlenecks to investment and job creation.

TABLE 1 CONSOLIDATED OVERVIEW OF THE 2012/13 MTREF

| Description R'000 | Adjusted Budget | Budget Year 2012/13 | Budget Year +1 2013/14 | Budget Year +2 2014/15 |
|--------------------------------|--------------------|---------------------------|------------------------------|---------------------------|
| Total operating Revenue | 2,277,812 | 2,717,248 | 3,164,352 | 3,531,430 |
| Total operating Expenditure | 2,277,593 | 2,678,533 | 3,074,783 | 3,422,527 |
| Surplus for the year | 219 | 38,715 | 89,569 | 108,903 |
| | | | | |
| Total capital Expenditure | 528,576 | 687,929 | 2,123,345 | 2,864,468 |

The operating revenue has grown by 16,17% or R439 million for the 2012/13 financial year when compared to the 2011/12 Adjustment Budget. For the two outer years, operational revenue will increase by 14,12% and 10,39% respectively, equating to a total revenue growth of R1,3 billion over the MTREF when compared to the 2011/12 adjustment budget.

The operating expenditure has grown by 15% or R400 million for the 2012/13 financial year when compared to the 2012/13 Adjustment Budget. For the two outer years, it will increase by 13% and 10% respectively. The operating surplus for the two years steadily increases to R237 million. These surpluses will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The Capital budget of R687,9 million for 2012/13 is 23,16% more when compared to the 2011/12 Adjustment budget.

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3.2. OPERATING REVENUE FRAMEWORK

The municipality need to generate the required revenue to continue improving the quality of services provided to its citizens. The expenditure required to address these challenges will inevitably always exceed available funds; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the City and continued economic development;
- Efficient revenue management, which aims to ensure a 95% annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA).
- Full cost recovery of specific user charges especially in relation to trading services.
- Determining the tariff escalation rate by establishing / calculating the revenue requirement of each service.
- The municipality's Property Rates Policy approved in terms of the Municipal property Rates Act, 2004(Act 6 of 2004) (MPRA).
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the City.

The following table is a high level summary of the 2012/13 budget and MTREF (classified per main type of revenue):

The following table is a summary of the 2012/2013 MTREF (classified by main revenue source):

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Table 2 Summary of revenue classified by main revenue source.

| Description R'000 | Original Budget 2011/2012 | Adjusted Budget 2011/2012 | Budget Year 2012/13 | Budget Year +1 2013/14 | Budget Year +2 2014/15 |
|--|---------------------------------|---------------------------------|---------------------------|------------------------------|------------------------------|
| <u>Revenue By Source</u> | | | | | |
| Property rates | 156,519 | 161,019 | 175,322 | 190,723 | 203,517 |
| Property rates - penalties & collection charges | | | | | |
| Service charges - electricity revenue | 1,260,271 | 1,264,128 | 1,604,052 | 1,965,060 | 2,254,952 |
| Service charges - water revenue | 267,388 | 269,191 | 329,311 | 360,179 | 393,590 |
| Service charges - sanitation revenue | 64,116 | 63,773 | 73,276 | 79,903 | 86,622 |
| Service charges - refuse revenue | 66,540 | 66,545 | 79,058 | 86,683 | 94,663 |
| Service charges - other | 106 | 1,007 | 112 | 117 | 123 |
| Rental of facilities and equipment | 10,077 | 9,785 | 15,751 | 21,172 | 25,911 |
| Interest earned - external investments | 33,334 | 40,000 | 40,322 | 47,488 | 49,862 |
| Interest earned - outstanding debtors | 63,490 | 70,016 | 68,598 | 66,789 | 61,848 |
| Dividends received | — | — | | | |
| Fines | 7,250 | 6,073 | 8,417 | 8,569 | 8,080 |
| Licences and permits | 9,056 | 9,056 | 1,844 | 2,408 | 2,814 |
| Agency services | 14,704 | 14,704 | 13,531 | 14,205 | 14,673 |
| Transfers recognised - operational | 258,944 | 266,598 | 279,935 | 292,197 | 309,415 |
| Other revenue | 34,595 | 35,838 | 25,718 | 26,857 | 23,359 |
| Gains on disposal of PPE | — | 80 | 2,000 | 2,000 | 2,000 |
| Total Revenue | 2,246,389 | 2,277,812 | 2,717,248 | 3,164,352 | 3,531,430 |

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The following table gives a breakdown of the main revenue categories for the 2011/12 financial year.

| Description thousand | | | 2012/13 Medium Term Revenue & Expenditure Framework | | | | | |
|--|------------------|----------------|---|----------------|------------------------|----------------|------------------------|----------------|
| | Adjusted Budget | % | Budget Year 2012/13 | % | Budget Year +1 2013/14 | % | Budget Year +2 2014/15 | % |
| Revenue By Source | | | | | | | | |
| Property rates | 161,019 | 7.07% | 175,322 | 6.45% | 190,723 | 6.03% | 203,517 | 5.76% |
| Property rates - penalties & collection fees | | | | | | | | |
| Service charges - electricity revenue | 1,264,128 | 55.50% | 1,604,052 | 59.03% | 1,965,060 | 62.10% | 2,254,952 | 63.85% |
| Service charges - water revenue | 269,191 | 11.82% | 329,311 | 12.12% | 360,179 | 11.38% | 393,590 | 11.60% |
| Service charges - sanitation revenue | 63,773 | 2.80% | 73,276 | 2.70% | 79,903 | 2.53% | 86,622 | 2.45% |
| Service charges - refuse revenue | 66,545 | 2.92% | 79,058 | 2.91% | 86,683 | 2.74% | 94,663 | 2.68% |
| Service charges - other | 1,007 | 0.04% | 112 | 0.00% | 117 | 0.00% | 123 | 0.00% |
| Rental of facilities and equipment | 9,785 | 0.43% | 15,751 | 0.58% | 21,172 | 0.67% | 25,911 | 0.73% |
| Interest earned - external investments | 40,000 | 1.76% | 40,322 | 1.48% | 47,488 | 1.50% | 49,862 | 1.41% |
| Interest earned - outstanding debtors | 70,016 | 3.07% | 68,598 | 2.52% | 66,789 | 2.11% | 61,848 | 1.75% |
| Dividends received | – | 0.00% | | 0.00% | | 0.00% | | 0.00% |
| Fees | 6,073 | 0.27% | 8,417 | 0.31% | 8,569 | 0.27% | 8,080 | 0.23% |
| Licences and permits | 9,056 | 0.40% | 1,844 | 0.07% | 2,408 | 0.08% | 2,814 | 0.08% |
| Agency services | 14,704 | 0.65% | 13,531 | 0.50% | 14,205 | 0.45% | 14,673 | 0.44% |
| Transfers recognised - operational | 266,598 | 11.70% | 279,935 | 10.30% | 292,197 | 9.23% | 309,415 | 8.76% |
| Other revenue | 35,838 | 1.57% | 25,718 | 0.95% | 26,857 | 0.85% | 23,359 | 0.66% |
| Gains on disposal of PPE | 80 | 0.00% | 2,000 | 0.07% | 2,000 | 0.06% | 2,000 | 0.06% |
| Total Revenue (excluding capital transfers and contributions) | 2,277,812 | 100.00% | 2,717,248 | 100.00% | 3,164,352 | 100.00% | 3,531,430 | 100.00% |

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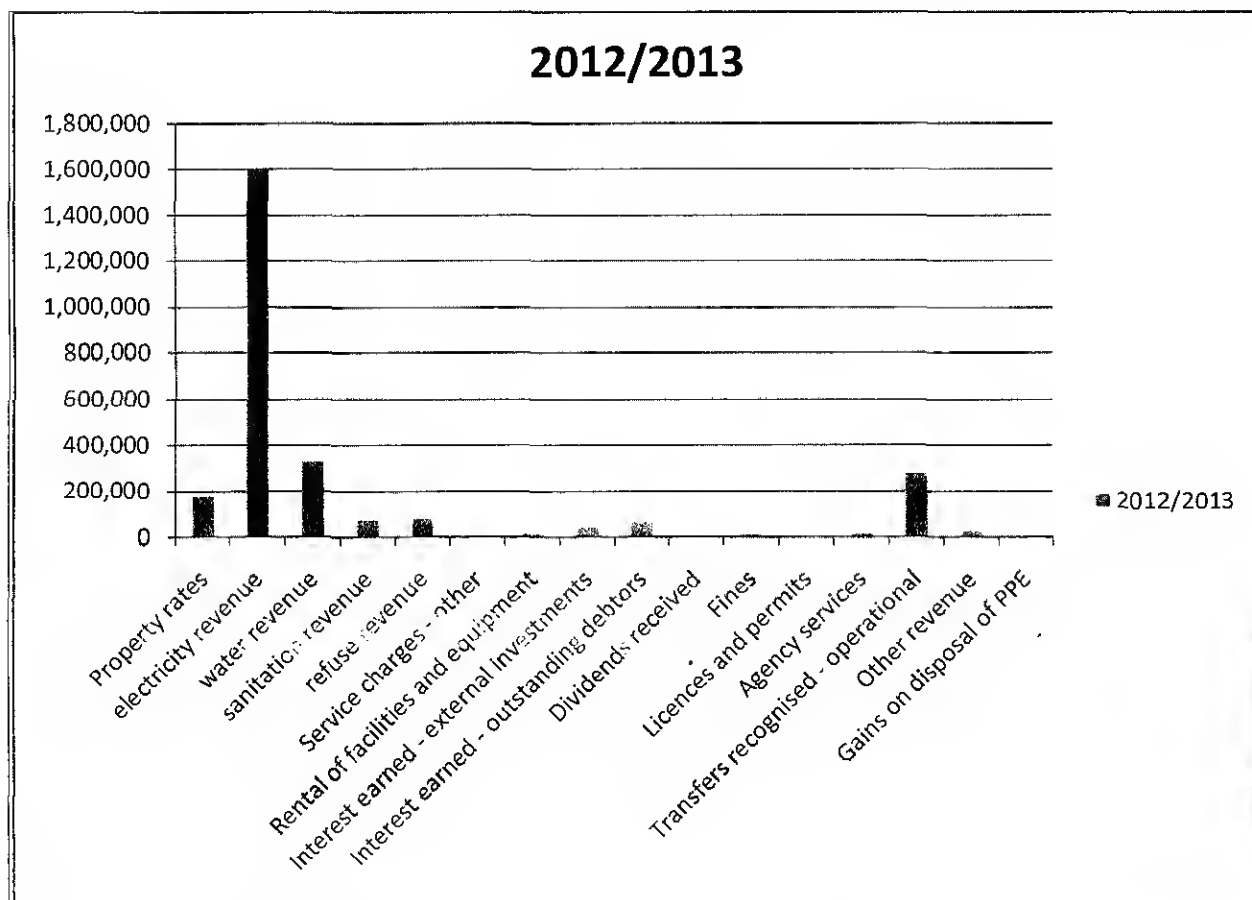


Table 3 Percentage growth in revenue by main revenue source.

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the municipality. Rates and services charge revenues comprises more than two thirds of the total revenue mix. In the 2011/12 financial year, revenue from rates and services charges totalled R2,261 billion or 83%. The growth can be mainly attributed to increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in Eskom tariffs for bulk electricity.

Water is the second largest revenue source totalling 12% or R329 million. The third largest sources is operating grants and transfers totals R279 million in the 2012/13 financial year and increased to R360 million by 2013/14.

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

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Table of Operating Transfers and Grant receipts.

| Description R thousand | Current Year 2011/12 | | 2012/13 Medium Term Revenue & Expenditure Framework | | |
|--|----------------------|-----------------|---|------------------------|------------------------|
| | Original Budget | Adjusted Budget | Budget Year 2012/13 | Budget Year +1 2013/14 | Budget Year +2 2014/15 |
| RECEIPTS: | | | | | |
| - | | | | | |
| <u>Operating Transfers and Grants</u> | | | | | |
| National Government: | 234,215 | 260,671 | 277,849 | 290,055 | 308,365 |
| Local Government Equitable Share | 231,669 | 231,669 | 256,518 | 274,824 | 295,354 |
| Finance Management | 1,150 | 1,250 | 1,500 | 1,500 | 1,500 |
| Municipal Systems Improvement | 790 | 290 | 800 | 900 | 950 |
| Water Services Operating Subsidy | 606 | 606 | 3,564 | 5,000 | 5,000 |
| | | - | | | |
| | | - | | | |
| PMU,EPWP,EDSM,NDPG | | 26,856 | 15,467 | 7,831 | 5,561 |
| Provincial Government: | 2,020 | 2,020 | 2,075 | 2,130 | 1,050 |
| Health subsidy | 300 | 300 | 300 | 300 | - |
| Sport and Recreation | 670 | 670 | 670 | 670 | - |
| | | - | | | |
| | | - | | | |
| LG-SETA, Skills Levy | 1,050 | 1,050 | 1,105 | 1,160 | 1,050 |
| District Municipality: | - | 1,360 | - | - | - |
| <i>Bojanala District Municipality</i> | | 1,360 | - | - | - |
| | | | | | |
| Other grant providers: | 11 | 11 | 11 | 12 | - |
| <i>Standard Bank donation</i> | 11 | 11 | 11 | 12 | - |
| Total Operating Transfers and Grants | 236,246 | 264,062 | 279,935 | 292,197 | 309,415 |

Tariff- setting is a pivotal and strategic part of the compilation of the annual budget. Rates, tariffs and other charges were revised, local economic conditions; inputs costs and affordability of services were taken into account to ensure the financial sustainability of the municipality.

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According to MFMA circular 58, National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges at levels that reflect an appropriate balance between the interests of poor households, other customers and ensuring the financial sustainability of the municipality. For this reason municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target.

The percentage increases of Eskom, Rand water and Magalies water bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and these tariffs are largely outside the control of the municipality.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the municipality has undertaken the tariff setting process relating to service charges as follows.

3.2.1. Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process. The proposed property rates are levied in accordance with existing Council policies and both the Local Government Municipal Property Rates Act 2004 (MPRA) and the local Government Municipal Finance Management Act 2003 (MFMA). An increase in property rates will be an average of 5.06%. Rustenburg is one of the fastest growing areas in South Africa. The projected growth rate is estimated at 3%. For residential, vacant land, business and industrial the increase is 1%, 9%, 6 and 1% respectively.

--- **Annexure A(Pages 312 - 337)** is the tariff list.

3.2.2 Sale of Water and tariff increase.

Water tariffs for 2012/13 are consistent with National Policy on the provision of free basic services, the National Strategic Framework for Water and Sanitation, Tariff policy and Equitable Service Framework. The tariff increases are necessary to address essential operational requirements, maintenance of existing infrastructure, and new infrastructure provision of RLM and to ensure financial sustainability of the services.

Water tariffs must be structured to protect basic levels of services and must be fully cost-reflective. The Miscellaneous Tariffs are levied by Water for the provision of various services by Directorate of Technical Services. Examples of these services are the

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installation of water connections, testing, and restriction of water meters. The objective of these Tariffs is to recover the cost of the provision of a particular service to each customer. The growth is estimated at 3%. For residential there is a tariff increase of 5% and businesses is at 9%. **Annexure A** is the tariff list.

3.2.3 Sale of Electricity and tariff Increases

NERSA has announced the revised bulk electricity pricing structure. A 27,1% increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2012. Considering the Eskom increases, the consumer tariff had to be increased by 20.38% in average to offset the additional bulk purchase cost from 1 July 2012. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity.

Registered indigents will again be granted 50 kWh per 30-day period free of charge.

It should further be noted that a stepped tariff structure will be implemented from 1 July 2012. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor). The municipality has entered into discussions with NERSA regarding the suitability of the NERSA proposed stepped tariffs compared to those already being implemented by the municipality already. There is no increase in electricity basic for residential, government, church and municipal. There will be an increase of 20.38% for businesses, bulk supply and mines.

N.B. NERSA made a press release on the (09th March 2012; Friday) regarding the electricity increase. Municipality is still waiting for an official letter from NERSA regarding the increases. NERSA at its meeting held on the 09th March 2012 approved an average increase of 16% on Eskom's application for the tariffs review for 2012/2013 financial year and that the municipalities must increase by 11.03% for 2012/2013 financial year. Municipality will reduce the tariffs based on the NERSA approval.

3.2.4 Sanitation and Tariff Increases

An average tariff increase of 5.94% for sanitation from 1 July 2012 is proposed. This is based on the input cost assumptions related to water. It should be noted that electricity costs contributes approximately 20 per cent of waste water treatment input costs. The collection tariff increases by 5% in 2012/13 financial year. For residential there is no increase and increase will be in businesses at 5% and hotels at 9%. The growth is projected at 3%.

Free sanitation will be applicable to registered indigents. **Annexure A** is the tariff list.

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3.2.5 Waste Removal and Tariff Increases

The Solid Waste Tariff are levied to cover the costs of services provided directly to customers and include repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel, cost of remuneration, collection fees, disposal fees, clearance of illegal dumping on private properties, and other ad hoc services. The collection tariff increases by an average of 5% in 2012/13 financial year. The residential increase is 5% and for industrial and mines is 7%. The monetary increase is from R86.85 for 2010/11 to R91.19 for 2012/2013 for standard container for residential. Growth rate is estimated at 3%. **Annexure A** is the tariff list.

3.2.6 Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

Table 12 SA 14

| Description | 2008/9 | 2009/10 | 2010/11 | Current Year 2011/12 | | | 2012/13 Medium Term Revenue & Expenditure Framework | | | |
|---|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|---|---------------------|------------------------|------------------------|
| | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2012/13 % incr. | Budget Year 2012/13 | Budget Year +1 2013/14 | Budget Year +2 2014/15 |
| Rand/cent | | | | | | | | | | |
| Monthly amount for Household - 'Middle Income Range' Rates and services charges: | | | | | | | | | | |
| Property rates | 177.43 | 363.00 | 396.00 | 419.76 | 419.76 | 419.76 | - | 419.76 | 440.75 | 462.79 |
| Electricity: Basic levy | 107.68 | 144.29 | 171.71 | 183.73 | 183.73 | 183.73 | - | 183.73 | 192.92 | 202.57 |
| Electricity: Consumption | 431.00 | 577.50 | 687.23 | 827.29 | 827.29 | 827.29 | 20.4% | 996.06 | 1,199.26 | 1,443.91 |
| Water: Basic levy | 33.50 | 36.28 | 42.81 | 45.38 | 45.38 | 45.38 | - | 45.38 | 47.65 | 50.03 |

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|---|----------|----------|----------|----------|----------|----------|-------|----------|----------|----------|
| Water: Consumption | 204.85 | 221.85 | 261.79 | 295.82 | 295.82 | 295.82 | — | 295.82 | 310.61 | 326.14 |
| Sanitation Refuse removal | 59.00 | 66.67 | 83.34 | 94.17 | 94.17 | 94.17 | — | 94.17 | 98.88 | 103.82 |
| Other | 58.00 | 65.54 | 81.93 | 86.85 | 86.85 | 86.85 | 4.3% | 91.19 | 95.15 | 99.28 |
| | — | — | — | — | — | — | — | — | — | — |
| sub-total | 1,071.46 | 1,475.13 | 1,724.81 | 1,953.00 | 1,953.00 | 1,953.00 | 8.9% | 2,126.11 | 2,385.21 | 2,688.54 |
| VAT on Services | 125.16 | 155.70 | 186.03 | 214.65 | 214.65 | 214.65 | 14.0% | 238.89 | 272.22 | 311.61 |
| Total large household bill: | 1,196.62 | 1,630.83 | 1,910.84 | 2,167.65 | 2,167.65 | 2,167.65 | 9.1% | 2,365.00 | 2,657.43 | 3,000.15 |
| % increase/-decrease | | 36.3% | 17.2% | 13.4% | — | — | | 9.1% | 12.4% | 12.9% |
| Monthly Account for Household - 'Affordable Range' | | | | | | | | | | |
| Rates and services charges: | | | | | | | | | | |
| Property rates | 26.43 | 124.67 | 136.00 | 144.16 | 144.16 | 144.16 | — | 151.37 | 158.94 | 166.89 |
| Electricity: Basic levy | 107.68 | 144.29 | 171.71 | 183.73 | 183.73 | 183.73 | — | 193.17 | 202.83 | 212.97 |
| Electricity: Consumption | 129.30 | 173.25 | 206.17 | 248.19 | 248.19 | 248.19 | 20.4% | 298.82 | 359.78 | 433.18 |
| Water: Basic levy | 33.50 | 36.28 | 42.81 | 45.38 | 45.38 | 45.38 | — | 47.65 | 50.03 | 52.53 |
| Water: Consumption | 73.80 | 79.93 | 94.31 | 106.57 | 106.57 | 106.57 | — | 111.90 | 117.50 | 123.38 |
| Sanitation Refuse removal | 59.00 | 66.67 | 83.34 | 94.17 | 94.17 | 94.17 | — | 98.88 | 103.82 | 109.01 |
| Other | 58.00 | 65.54 | 81.93 | 86.85 | 86.85 | 86.85 | 4.3% | 1.19 | 95.75 | 100.54 |
| | — | — | — | — | — | — | — | — | — | — |
| sub-total | 487.71 | 690.63 | 816.27 | 909.05 | 909.05 | 909.05 | 9.2% | 992.97 | 1,088.65 | 1,198.49 |
| VAT on Services | 64.58 | 98.40 | 95.41 | 107.08 | 107.08 | 107.08 | 14.0% | 117.83 | 130.16 | 144.42 |
| Total small household bill: | 552.29 | 789.03 | 911.68 | 1,016.13 | 1,016.13 | 1,016.13 | 9.3% | 1,110.80 | 1,218.81 | 1,342.91 |
| % increase/-decrease | | 42.9% | 15.5% | 11.5% | — | — | | 9.3% | 9.7% | 10.2% |
| | — | — | — | — | — | — | — | — | — | — |

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| | | | 0.64 | 0.26 | 1.00 | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|--------------|-----------------|-----------------|-----------------|
| Monthly Account for Household - 'Indigent' Household receiving free basic services | | | | | | | | | | |
| Rates and services charges: | | | | | | | | | | |
| Property rates | – | – | – | – | – | – | – | 151.37 | 58.94 | 166.89 |
| Electricity: Basic levy | 107.68 | 144.29 | 172.00 | 183.73 | 183.73 | 183.73 | – | 193.17 | 202.83 | 212.97 |
| Electricity: Consumption | – | – | 34.36 | 41.36 | 41.36 | 41.36 | 20.4% | 298.82 | 359.78 | 433.18 |
| Water: levy | 33.50 | – | – | – | – | – | – | 47.65 | – | – |
| Water: Consumption | 73.80 | 36.28 | 43.00 | 45.38 | 45.38 | 45.38 | – | – | 50.03 | 52.53 |
| Sanitation Refuse removal | 59.00 | 79.93 | 94.31 | 106.57 | 106.57 | 106.57 | – | 111.90 | 117.50 | 123.38 |
| Other | 58.00 | 66.67 | 84.00 | 94.17 | 94.17 | 94.17 | – | 98.88 | 103.82 | 109.01 |
| | 58.00 | 65.54 | 82.00 | 86.85 | 86.85 | 86.85 | 4.3% | 91.19 | 95.75 | 100.54 |
| | – | – | – | – | – | – | – | – | – | – |
| sub-total | 331.98 | 392.71 | 509.67 | 558.06 | 558.06 | 558.06 | 77.9% | 992.97 | 1,088.65 | 1,198.49 |
| VAT on Services | | | – | 78.13 | 78.13 | 78.13 | 14.0% | 117.83 | 130.16 | 144.42 |
| Total small household bill: | 331.98 | 392.71 | 509.67 | 636.19 | 636.19 | 636.19 | 74.6% | 1,110.80 | 1,218.81 | 1,342.91 |
| % increase/decrease | | 18.3% | 29.8% | 24.8% | – | – | | 74.6% | 9.7% | 10.2% |

3.2.7. Sundry tariffs

Rustenburg Local Municipality is one of the municipalities that are charging sundry tariffs very low. The tariffs for clearances are not cost reflective and the increase will be above the CPI. The clearance certificate fee and application for clearance will be increased by 96,66% and 115.50% respectively. Valuation roll is purchased by businesses and estate agents for business purpose. The service has been rendered at a low cost and it is not cost reflective. The valuation roll and valuation certificate will be increased by 7.69% and 40% respectively. Water and Electricity reconnection is increased by 6% based on the CPI.

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The provision of debt impairment was determined based on an annual collection rate of 95% and the Debt Write-off Policy. For the 2012/13 financial year this amount equates to R100 million and escalates to R95 million by 2013/14 based on the fact that the municipality will appoint a service provider for debt collection. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R128 million for the 2012/13 financial and equates to 4.81 % of the total operating expenditure. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This will results in a significant increase in depreciation relative to previous years.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 0.6 per cent (R15 million) of operating expenditure.

Bulk purchases are directly informed by the purchase of electricity from Eskom and water from Rand Water and Magalies Water. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

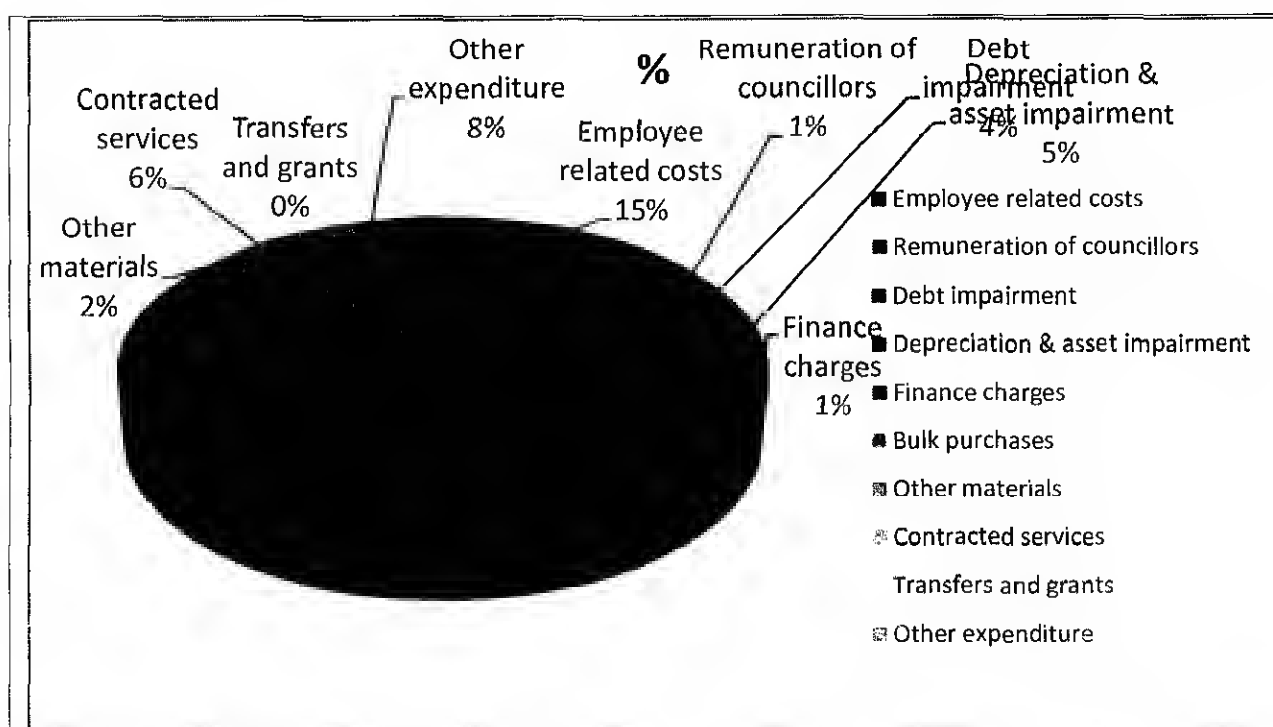
Contracted services has been identified as a cost saving area for the municipality. As part of the compilation of the 2012/13 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2012/13 financial year, this group of expenditure totals R158 million and has escalated by just 26.1%, clearly demonstrating the application of cost efficiencies. Further details relating to contracted services can be seen in Table SA1.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved

The following table gives a breakdown of the main expenditure categories for the 2011/12 financial year.

AGENDA: MAYORAL COMMITTEE: 22 MARCH 2012

SUBSTITUTED ITEM



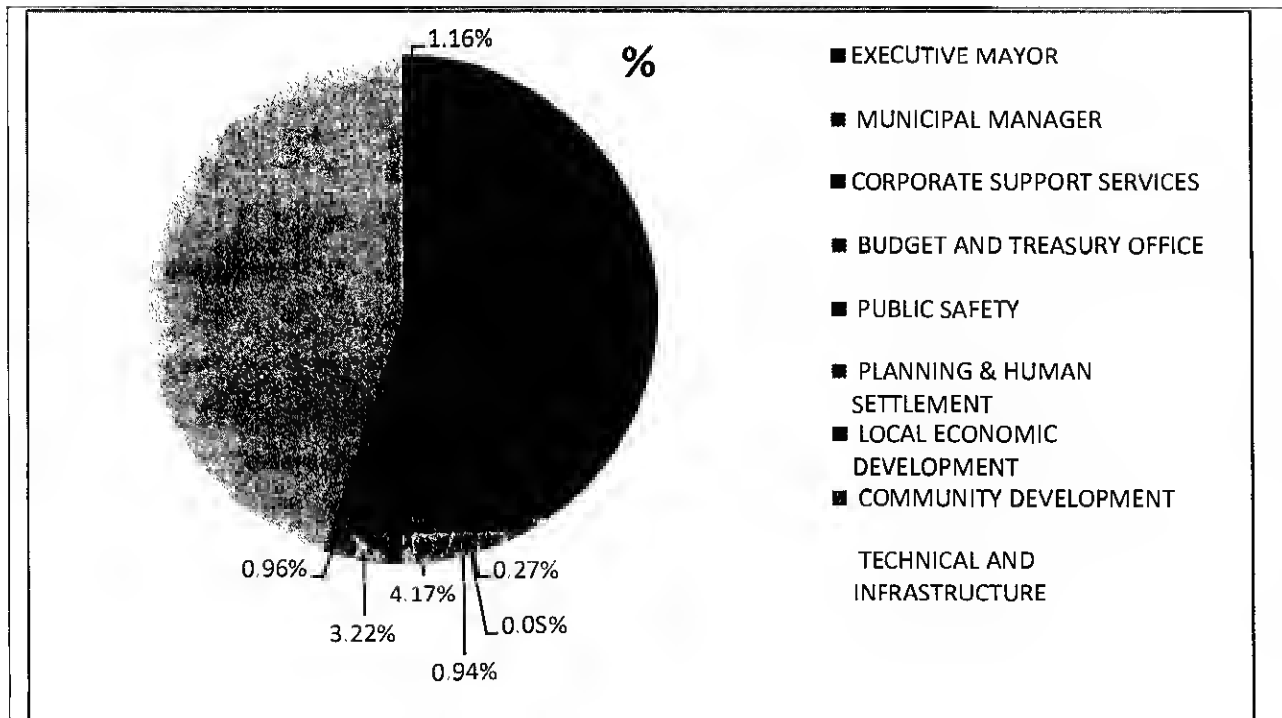
4. Capital Budget

The following table provides a breakdown of budgeted capital expenditure by vote:

| Vote Description | | | 2012/13 Medium Term Revenue & Expenditure Framework | | | | | |
|------------------------------|-----------------|----------------|---|----------------|------------------------|----------------|------------------------|----------------|
| | Adjusted Budget | % | Budget Year 2012/13 | % | Budget Year +1 2013/14 | % | Budget Year +2 2014/15 | % |
| R thousand | | | | | | | | |
| EXECUTIVE MAYOR | 300 | 0.06% | 8,008 | 1.16% | 6,100 | 0.80% | 4,600 | 0.46% |
| MUNICIPAL MANAGER | 186,665 | 35.31% | 304,815 | 44.31% | 324,356 | 42.43% | 593,542 | 58.78% |
| CORPORATE SUPPORT SERVICES | 520 | 0.10% | 1,855 | 0.27% | 22 | 0.00% | 22 | 0.00% |
| BUDGET AND TREASURY OFFICE | 5,338 | 1.01% | 319 | 0.05% | - | 0.00% | - | 0.00% |
| PUBLIC SAFETY | 20,373 | 3.85% | 6,470 | 0.94% | 7,395 | 0.97% | 9,068 | 0.90% |
| PLANNING & HUMAN SETTLEMENT | 85 | 0.02% | 28,661 | 4.17% | 12,900 | 1.69% | 22,400 | 2.22% |
| LOCAL ECONOMIC DEVELOPMENT | 3,621 | 0.69% | 22,166 | 3.22% | 4,968 | 0.65% | 1,081 | 0.11% |
| COMMUNITY DEVELOPMENT | 1,951 | 0.37% | 6,624 | 0.96% | 5,099 | 0.67% | 4,974 | 0.49% |
| TECHNICAL AND INFRASTRUCTURE | 309,721 | 58.60% | 309,011 | 44.92% | 403,587 | 52.80% | 374,165 | 37.05% |
| TOTAL | 528,576 | 100.00% | 687,929 | 100.00% | 764,427 | 100.00% | 1,009,852 | 100.00% |

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The above table is graphically represented as follows for the 2012/13 financial year



The huge budget is allocated to Directorate of Technical and Infrastructure at 44,92% and the second highest is the office of Municipal Manager at 44,31%. The biggest portion of the budget in the office of the Municipal Manager is the grant of Rapid Transport. The third biggest portion is planning and Human Settlement Directorate at 4.17% and expenditure thereof is for township establishment. The fourth highest is Directorate of Local Economic at 3.22% and it is allocated for Flea Market at CBD and for hawkers stalls.

The following table provides a breakdown of budgeted capital expenditure by standard classification:

AGENDA: MAYORAL COMMITTEE: 22 MARCH 2012
SUBSTITUTED ITEM

Table 16 2011/12 Medium-term capital budget per vote

| Description | Adjusted Budget | % | Budget Year 2012/13 | % | Budget Year +1 2013/14 | % | Budget Year +2 2014/15 | % |
|---|-----------------|----------------|---------------------|----------------|------------------------|----------------|------------------------|----------------|
| R thousand | | | | | | | | |
| <i>Governance and administration</i> | 192,824 | 36.48% | 314,997 | 45.79% | 330,478 | 43.23% | 598,164 | 59.23% |
| Executive and council | 186,965 | 35.37% | 312,823 | 45.47% | 330,456 | 43.23% | 598,142 | 59.23% |
| Budget and treasury office | 5,338 | 1.01% | 319 | 0.05% | – | 0.00% | – | 0.00% |
| Corporate services | 520 | 0.10% | 1,855 | 0.27% | 22 | 0.00% | 22 | 0.00% |
| <i>Community and public safety</i> | 22,325 | 4.22% | 13,434 | 1.95% | 12,493 | 1.63% | 14,042 | 1.39% |
| Community and social services | 1,951 | 0.37% | 3,134 | 0.46% | 3,140 | 0.41% | 3,424 | 0.34% |
| Sport and recreation | – | 0.00% | 1,650 | 0.00% | 1,500 | 0.00% | 1,550 | 0.00% |
| Public safety | 20,373 | 3.85% | 6,470 | 0.94% | 7,395 | 0.97% | 9,068 | 0.90% |
| Housing | – | 0.00% | 340 | 0.00% | – | 0.00% | – | 0.00% |
| Health | – | 0.00% | 1,840 | 0.00% | 459 | 0.00% | – | 0.00% |
| <i>Economic and environmental services</i> | 142,975 | 27.05% | 157,611 | 22.91% | 146,068 | 19.11% | 183,481 | 18.17% |
| Planning and development | 3,706 | 0.70% | 50,275 | 7.31% | 17,668 | 2.31% | 23,281 | 2.31% |
| Road transport | 139,269 | 26.35% | 107,124 | 15.57% | 128,200 | 16.77% | 160,000 | 15.84% |
| Environmental protection | – | 0.00% | 212 | 0.00% | 200 | 0.00% | 200 | 0.00% |
| <i>Trading services</i> | 145,650 | 27.56% | 192,467 | 27.98% | 275,387 | 36.03% | 214,165 | 21.21% |
| Electricity | 63,706 | 12.05% | 43,057 | 6.26% | 43,370 | 5.67% | 36,594 | 3.62% |
| Water | 24,262 | 4.59% | 24,420 | 3.55% | 62,750 | 8.21% | 41,323 | 4.09% |
| Waste water management | 24,548 | 4.64% | 83,700 | 12.17% | 41,000 | 5.36% | 76,000 | 7.53% |
| Waste management | 33,134 | 6.27% | 41,290 | 6.00% | 67,147 | 8.78% | 32,148 | 3.18% |
| <i>Other</i> | 24,803 | 4.69% | 9,420 | 1.37% | 61,120 | 8.00% | 28,100 | 2.78% |
| | 528,576 | 100.00% | 687,929 | 100.00% | 764,426 | 100.00% | 1,009,852 | 100.00% |

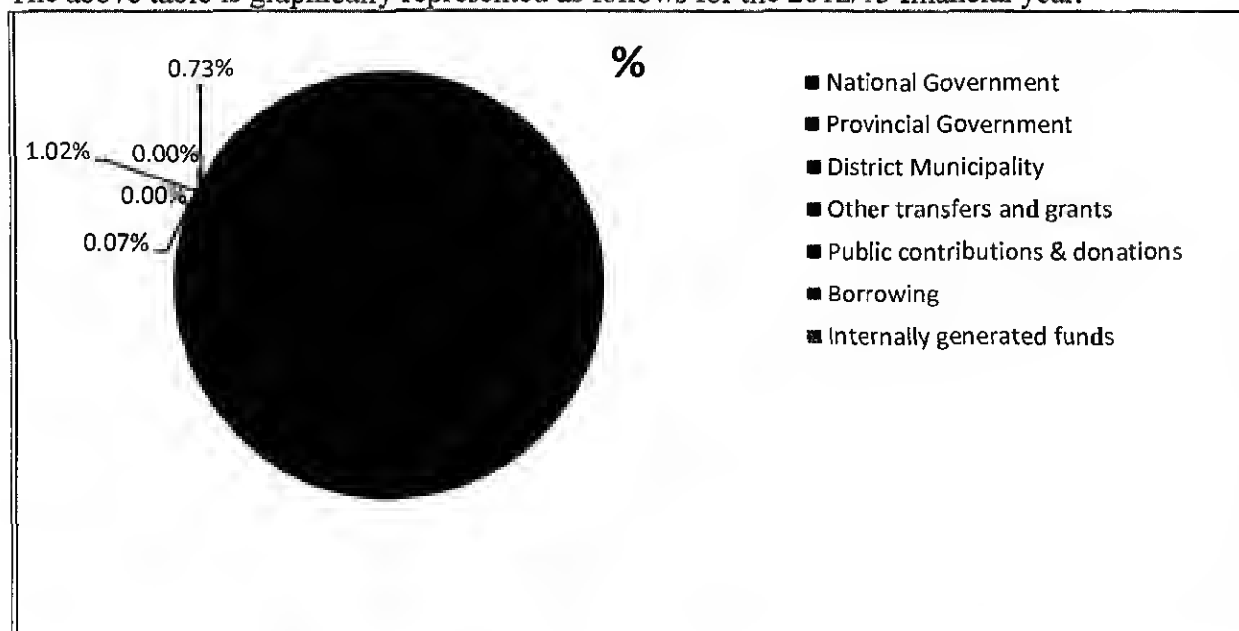
The Capital expenditure is funded from different sources. The municipality is still relying from national government for funding of capital projects.

AGENDA: MAYORAL COMMITTEE: 22 MARCH 2012
SUBSTITUTED ITEM

The following table provides a breakdown funding source of capital expenditure:

| Vote Description | | | 2012/13 Medium Term Revenue & Expenditure Framework | | | | | |
|----------------------------------|-----------------|----------------|---|----------------|------------------------|----------------|------------------------|----------------|
| | Adjusted Budget | % | Budget Year 2012/13 | % | Budget Year +1 2013/14 | % | Budget Year +2 2014/15 | % |
| R thousand | | | | | | | | |
| Description | | | | | | | | |
| R thousand | | | | | | | | |
| Funded by: | | | | | | | | |
| National Government | 394,654 | 74.66% | 562,059 | 81.70% | 539,076 | 70.50% | 820,030 | 81.20% |
| Provincial Government | 431 | 0.08% | 505 | 0.07% | 321 | 0.04% | 236 | 0.02% |
| District Municipality | 5,747 | 1.09% | – | 0.00% | – | 0.00% | – | 0.00% |
| Other transfers and grants | 8,337 | 1.58% | 7,000 | 1.02% | 7,700 | 1.01% | 8,470 | 0.83% |
| Transfers recognised - capital | 409,169 | 77.41% | 569,564 | 82.79% | 547,097 | 71.55% | 828,736 | 82.07% |
| Public contributions & donations | – | 0.00% | – | 0.00% | – | 0.00% | – | 0.00% |
| Borrowing | – | 0.00% | 5,000 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| Internally generated funds | 119,407 | 22.59% | 113,365 | 16.48% | 217,530 | 28.45% | 181,116 | 17.93% |
| | 528,576 | 100.00% | 687,929 | 100.00% | 764,627 | 100.00% | 1,009,852 | 100.00% |

The above table is graphically represented as follows for the 2012/13 financial year.



AGENDA: MAYORAL COMMITTEE: 22 MARCH 2012

SUBSTITUTED ITEM

Capital grants and receipts equates to 82,79% of the total funding source which represents R569,9 million for the 2012/13 financial year and steadily increase to R1.2 billion or 41 per cent by 2013/14. Growth relating to grant receipts is 8.3, 7.1 and 7.7 per cent over the medium-term.

Borrowing still remains a significant funding source for the capital programme over the medium-term with an estimated R1 billion to be raised for each of the respective financial years totalling 38, 32 and 34 per cent of the total funding of the capital budget for each of the respective financial years of the MTREF. As explained earlier, the borrowing capacity of the City has essentially reached its limits and going forward borrowing limits will remain constant.

Annual Budget Tables - Parent Municipality

The A1 –schedule main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2012/13 budget and MTREF. **Annexure B(Pages 338 - 416) is A1 schedule.**

5. Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

5.1. Review of Credit Control and Debt Collection Policy

The Collection Policy as approved by Council is currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

The 2011/12 MTREF has been prepared on the basis of achieving an average debtors collection rate of 95 per cent on current billings. **Annexure C(Pages 417 - 448).**

5.2. Review of Budget Policy

The budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

Annexure D(Pages 449 - 464).

AGENDA: MAYORAL COMMITTEE: 22 MARCH 2012
SUBSTITUTED ITEM

5.3. Review of Travelling and Subsistence Allowance Policy.

The travelling and subsistence policy is to ensure the proper administration of all regulations for employees, full and part time Councillors as well as their attendance of conferences, workshops and meetings, the formulation and up keeping of a comprehensive policy is essential. **Annexure E(Pages 465 – 478)**

5.4. New Policy: Entertainment.

The purpose of this policy is to provide guidelines for Councillors and officials when incurring expenditure for entertainment in the course of executing official functions. **Annexure F(Pages 479 - 483).**

5.5. Review: Indigent Household Support Policy

The policy provides the high level framework to guide the national initiative to improve the lives of the poor. **Annexure G(Pages 484 - 489).**

5.6. Review Rates Policy

The objective of the policy is to ensure that all owners of rateable property are informed about their liability for rates. **Annexure H(Pages 490 – 516).**

5.7. Review Tariff Policy

This policy is compiled in terms of Section 74 of the Local Government Municipal Systems Act 2000, and covers amongst other things, the levying of fees for the municipal services provided by Rustenburg Local Municipality by way of service delivery agreements. **Annexure I(Pages 516 – 521).**

5.8. Review Accounting Policies

Prescribes the application of the accounting standards in terms of financial reporting. **Annexure J(Pages 523 - 539).**

5.9. Cash and Investment policy

The objective of the policy is to ensure that the investment of surplus funds form part of the financial system of the municipality. **Annexure K(Pages 540 - 552).**

5.10. Fixed Asset Management Policy

The purpose of the policy is to manage the assets of the municipality in as efficient and effective way with regard to the acquisition, disposal, utilisation, control and maintenance of assets. **Annexure L(Pages 553 - 557).**

AGENDA: MAYORAL COMMITTEE: 22 MARCH 2012
SUBSTITUTED ITEM

5.11. Review Supply Chain Management Policy

To comply with Section 111 of Municipal Finance Management Act for procuring of goods and services and disposing of goods no-longer needed. Annexure J. Also to ensure that the Supply Management processes are fair, equitable, transparent.

--- Competitive and cost effective. **Annexure M(Pages 558 - 601).**

6. CLOSING

The Municipality will ensure that it remains focused in the delivery of quality services on the ground through application of *efficient and effective service delivery mechanisms*.

Sound Financial management principle is essential and critical to ensure that the municipality remains financially viable and sustainable. Furthermore the municipality will continue to employ the conservative approach in increasing the tariffs to ensure that the municipal services are provided economically and equitably to the communities of Rustenburg.

RECOMMENDED:

ACTION

- | | |
|--|-----|
| 1. That the report be noted; | All |
| 2. That the multiyear Annual Budget of Capital and Operating for 2012/ 2013 and the two outer years 2013/2014 and 2014/ be considered for implementation from July 2012; | All |
| 3. That the cognizance be taken | All |
| 3.1 Of the provision made for a 10% increase in the salaries of employees including section 57 officials in accordance with the bargaining council three years salary agreement. | All |
| 3.2 That provision has been made for 8% estimated increase in salaries of Councillors which still have to be announced in terms of Public Office Bearers Act; | All |
| 3.3 Of the following proposed increase in tariffs for the basic services and other services: | All |
| 4. That the proposed fees as envisaged in Annexure A for water supply, electricity, waste management and refuse removal in terms of Section 75(a) of the Municipal Systems Act be considered for implementation from 1 July 2012 as follows: | |

| | |
|-------------|-------------------------|
| Water | average increase 6.12% |
| Electricity | average increase 20.80% |
| Sewerage | average increase 5.94% |
| Refuse | average increase 6.52% |

AGENDA: MAYORAL COMMITTEE: 22 MARCH 2012
SUBSTITUTED ITEM

5. That the proposed fees and rebates for Property rates as envisaged in **Annexure A** be considered in line with the Municipal Property Rates Act be considered for implementation from 1 July as follows:

Property Rates average increase 5.06%

6. That the proposed fees on Sundry charges as contained in **Annexure A** be considered for implementation in July 2012 as follows:

| | |
|---|-------|
| Valuation Roll | 7.69% |
| Valuation Certificate | 40% |
| Electricity Reconnection | 6% |
| Tariffs in Directorate Public Safety | 5% |
| Sport Facilities and Cemeteries tariffs | 5,5% |
| Swimming Pool fees | 10% |

7. That the following budget related policies with amendments be All considered for implementation from July 2012.

Annexure C – Credit Control and Debt Collection Policy
Annexure D - Budget Policy
Annexure E – Travelling and Subsistence Policy
Annexure F – Entertainment policy
Annexure G – Indigent Household Support Policy
Annexure H – Property Rates Policy
Annexure I – Tariff Policy
Annexure J – Accounting Policies
Annexure M – Supply Chain Management Policy

8. That the unchanged budget related policies be noted.
Annexure K – Cash & Investment Policy
Annexure L – Fixed Asset Management Policy
9. That the Council considers 2012/13 MTREF and refers it for public All participation before finalization and approval by the end of April 2012.
10. That the draft multiyear budget be submitted to National Treasury and Provincial Treasury.
-

RUSTENBURG LOCAL MUNICIPALITY

CREDIT CONTROL, DEBT COLLECTION AND WRITE-OFF POLICY

31 MARCH 2011

POLICY OBJECTIVE

To ensure that all monies due are collected and to provide conditions pertaining to the supply of services and the discontinuation as well as to make provision for indigent support and how irrecoverable debt will be written off.

CREDIT CONTROL AND DEBT COLLECTION POLICY

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PREAMBLE

WHEREAS section 152 (1) (b) of the Constitution of the Republic of South Africa Act 108 of 1996 (*the Constitution*) provides that one of the objects of local government is to ensure that the provision of services to communities occurs in a sustainable manner;

WHEREAS section 153 (a) of the Constitution provides that a municipality must structure its administration, budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community;

WHEREAS section 195 (1) of the Constitution provides that the public administration must be governed by the democratic values and principles enshrined in the Constitution, including-

- The promotion of the efficient, economic and effective use of resources;
- The provision of services impartially, fairly, equitably and without bias; and
- The fact that people's needs must be responded to.

WHEREAS section 18 (1) (a), read with subsection (2) of the Municipal Finance Management Act, 56 of 2003 provides that an annual budget of the municipality should be funded from realistically anticipated revenues to be collected taking into account projected revenue for the current year based on collection levels to date and the actual revenue collected in the previous financial years;

WHEREAS section 4 (1) (c) of the Local Government: Municipal Systems Act 33 of 2000 (*the Systems Act*) provides that the Council of a municipality has the right to finance the affairs of the municipality by charging fees for services, imposing surcharges on fees, rates on property and, to the extent authorised by national legislation, other taxes, levies and duties;

WHEREAS section 5 (1) (g), read with subsection (2) (b), of the Systems Act provides that members of the local community have the right to have access to municipal services which the municipality provides provided that, where applicable and subject to the policy for indigent debtors, pay promptly for services fees, surcharges on fees, other taxes, levies and duties imposed by the municipality;

WHEREAS section 6 (2) (c), (e) and (f) of the Systems Act provides that the administration of a municipality must take measures to prevent corruption; give members of a local community full and accurate information about the level and standard of municipal services that they are entitled to receive; and inform the local community about how the municipality is managed, of the costs involved and the persons in charge;

SUBSTITUTED ANNEXURE

AND WHEREAS Chapter 9, sections 95, 96, 97, 98, 99 and 100, of the Systems Act provides for Customer Care Management, Debt Collection responsibility of the Municipality, contents of the policy, by-laws that give effect to the policy, Supervisory authority and Implementing authority.

NOW THEREFORE the following is adopted as Credit Control, Debt Collection and Write-off Policy of Rustenburg Local Municipality (hereinafter referred to as "this Policy") as set out hereunder.

CHAPTER 1

GENERAL PROVISIONS

1. Definitions

For the purpose of this policy, the wording or any expression has the same meaning as contained in the Act, except where clearly indicated otherwise and means the following:

“Act” Local Government: Municipal Systems Act, Act No 32 of 2000 as amended from time to time.

“Arrangement” A written agreement entered into between the Council and the debtor where specific repayment parameters are agreed to.

“Apparatus” means any equipment , tools, device, meter, connection, system, or network, service protection device, articulation network or supply mains, part thereof supplied or used in the supply distribution, or conveyances of services or measurement or consumption of services.

“Authorized personnel” means an employee, agent, subcontractor, or representative of a service provider, or any person, duly authorized, by a service provider to perform, any function under this policy.

“Arreas” includes collection charges and interest in respect of the principal amount in arrears,

“Billing” means proper formal notification (invoicing) on the statement to each customer of amounts levied for assessment rates and services and the net accumulated balance of the account.

“Council” means-

- a) a municipal council as referred to in section 157 of the Constitution of the Republic of South Africa;
- b) the Rustenburg Local Municipality established by provincial notice No .6766 of 2000, as amended , exercising a delegated power or carrying out an instruction, where any power in these policy has been delegated ,or sub delegated, or an instruction given , as contemplated in section 59 of the Act; or
- c) a service provider fulfilling a responsibility under the policy , assigned to it in terms of section 81(2) of the Act, or any other law, as the case may be.

“CFO” Person appointed as the Chief Financial Officer of the Municipality, or his or her nominee

SUBSTITUTED ANNEXURE

“Credit control” means all function relating to the collection of monies owed by the rate payers and users of municipal services.

“Credit controller” means a person appointed by the Council to manage, *inter alia*, the Council financial administration and debt collection of the Council debtors.

“Collection charges” means charges which may be recovered by the council in terms of section 75A of the Act, and includes –

- a) the cost of reminding customer of arrears;
- b) the cost of the termination , restriction and reinstatement of municipal services;
- c) the cost of any notice rendered , sent or delivered in terms of these policy
- d) all legal cost , including attorney and client cost incurred in the recovery of arrears; and
- e) Any commission and other expenses relating to the recovery of arrears payable by the Council to any person or partnership.

“Customer management” means focusing on the client needs in a responsive and proactive way to encourage payment, thereby limiting the need for enforcement.

“Customer” means the owner of the premises to which the council has agreed to supply or is actually supplying services.

“Household” means the total number of people who occupy a property for residential purpose whether permanently or on a temporary basis, but excludes persons employed by the household.

“Indigent” means a household who cannot afford to make a full monetary contribution towards municipal charges for basic services and rates & taxes as determined by the Council

“Debtor” means a person owing an amount of money to the municipality.

“Defaulter” means those persons owing the Council in respect of taxes and/or service charges for a period of more than 45 (forty five) days from the date of the account.

“Interest” constitutes a levy equal to service levies and is calculated at rate determined by the Council on all services levies in arrears.

“Municipal Manager” The person appointed as Municipal Manager in terms of section 82 of the Local Government: Structures Act, 1998, (Act 117 of 1998) and Include any person acting in that position or to whom authority was delegated;

“Municipal services” those services, rates and taxes reflected on the municipal account for which payments is required by the Council.

“Municipal account” shall include levies or charges in respect of the following services and /or taxes:

- a) electricity consumption based on a meter readings or estimated consumption, or availability fees;
- b) water consumption based on unmetered reading or estimated consumption or availability fees;
- c) refuse removal and disposal
- d) sewerage services ad sewer availability fees;
- e) rates
- f) interest, and
- g) miscellaneous and sundry fees and collection charges;

“Owner” means-

- a) the person in whom from time to time is vested the legal title to premises;
- b) in a case where the person in whom the legal title is vested is insolvent or dead , or is under any form of legal title is vested is insolvent or dead , or is under any form of legal disability whatsoever , the person in whom the administration of and under control of such premises is vested as curator , trustee, executor, administrator, judicial manager, liquidator or other legal representative”
- c) in any case where the Council is unable to determined the identity of such person , a person who is entitled to the benefit of such premises of the building thereon;
- d) In the case of premises for which a lease of 30 years or more has been entered into , the lessee thereof
- e) In relation to-
 - i) A piece of land delineated on sectional plan registered in terms of the Sectional Titles Act 1986 ,(Act 95 of 1986) , and without restricting the above the developer or the body corporate in respect of the common property , or
 - ii) A section as defined in such Act , the person in whose name such section is registered under a sectional title deeds and includes the lawfully appointed agent of such person
- f) Any legal person including but not limited to;
 - i) A company registered in terms of Companies Act 1973 (Act 61 of 1973), trust intervivos , trust mortis, cause, a Closed Corporation registered in terms of the Closed Corporations Act, 1984(Act 69 of 1984) , a Voluntarily association
 - ii) Any department of state
 - iii) Any council or board established in terms of any legislation applicable to the Republic of South Africa.
 - iv) Any embassy or other foreign entity

“Occupier” means any person who occupies any premises or part thereof, without regard to the title under which he/she occupies.

“Premises” includes any piece of land, the external surface boundaries of which are delineated on-

- a) A general plan or diagram registered in terms of Land Survey Act (Act 9 of 1927) or in terms of the Deeds Registry Act , 47 of 1937;or
- b) A sectional plan registered in terms of the Sectional Titles Act, 95 of 1986, which is situated within the area of jurisdiction of the Council.

“Property” means-

- a) Immovable property registered in the name of a person, including , in case of a sectional title scheme , a sectional title unit registered in the name of person
- b) A right registered against immovable property in favor of a person , excluding a mortgage bond registered against the property
- c) A land tenure right registered in favor of a person or granted to a person in terms of any law ;or
- d) Public service infrastructure;

“Rates” means a municipal rate on property levied in terms of local government; Municipal Property Rates Act (Act No.6 of 2004), or any prior law

“Service” means provision of water, electricity, refuse removal, sewerage and the removal and purification of sewerage.

“Service provider” means the municipality as well as any entity that provides services to customer pursuant to a service delivery agreement entered into with the municipality in terms of section 80 of the Act

“Sundry and housing accounts” means an account where a person owes an amount to the municipality for a reason other than through the provision of municipal services

“Tamper” means interference with, damage to, alteration of, connection to or removal of any apparatus and includes the consumption or use of any services not in accordance with this policy

NB: word derived from the words defined has corresponding meanings unless, the context indicates otherwise.

A reasonable interpretation of a provision which is consistent with the purpose of this policy must be preferred over an alternative impropriation which is not.

2. Purpose of the policy

- 2.1 To ensure that all monies due and payable to the municipality for rates and the services rendered are collected;
- 2.2 Outline credit control and debt collection policy procedures and mechanism;
- 2.3 Provide for conditions pertaining to the supply of services and the termination of services or for restrictions on the provision of services when payments are overdue;
- 2.4 Provide for mechanism whereby accounts or meter readings services are queried or verified and for written objections;
- 2.5 To make provision for indigent support;
- 2.6 To provide for mechanism where irrecoverable debt are written off;
- 2.7 To provide for penalties for non compliance with the credit control and debt control management policy;
- 2.8 To provide for incentives and disincentives in order to ensure cost-effective collection process;
- 2.9 To provide for measures to ensure that enforcement of payment must be prompt, consistent and effective; and
- 2.10 To provide for matters relating to the unauthorized consumption of services, theft and damages.

3. Principles for Collection

- 3.1 The administrative integrity of the municipality must be maintained at all costs. The democratically elected councillors are responsible for policy-making, while it is the responsibility of the Municipal Manager to ensure the execution of this policy.
- 3.2 Only the person who is vested with the legal title to the premises must complete an official application form, formally requesting the municipality to connect them to service supply lines. Existing customers may be required to complete new application forms from time to time, as determined by the Municipal Manager.
- 3.3 A copy of the application form, conditions of services and extracts of the relevant council's credit control and debt collection policy and by-laws

must be handed to every customer on request at such fees as may be prescribed by Council.

- 3.4 Billing is to be accurate, understandable and timely produced and distributed.
- 3.5 The customer is entitled to reasonable access to pay points and to a variety of reliable payment methods.
- 3.6 The customer is entitled to an efficient, effective and reasonable response to appeals, and should suffer no disadvantage during the processing of a reasonable appeal.
- 3.7 Unauthorized consumption, connection and reconnection, the tampering with or theft of meters, service supply equipment and the reticulation network and any fraudulent activity in connection with the provision of municipal services will lead to disconnections, penalties, loss of rights and criminal prosecutions.
- 3.8 Application forms will be used to, inter alia, categorise customers according to credit risk and to determine relevant levels of services and deposits required.
- 3.9 Targets for performance in both customer service and debt collection will be set and pursued and remedies implemented for non-performance.

4. Duties and Functions

4.1 Duties and Functions of Council

- 4.1.1. To approve a budget consistent with the needs of communities, ratepayers and residents.
- 4.1.2. To impose rates and taxes and to determine service charges, fees and penalties to finance the budget.
- 4.1.3. To facilitate sufficient funds to give access to basic services for the poor.
- 4.1.4. To provide for a bad debt provision, in line with the payment record of the community, ratepayers and residents, as reflected in the financial statements of the municipality.
- 4.1.5. To set an improvement target for debt collection, in line acceptable accounting ratios and the ability of the Implementing Authority.
- 4.1.6. To approve a reporting framework for credit control and debt collection.
- 4.1.7. To consider and approve by-laws to give effect to the Council' policy.

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- 4.1.8. To monitor the performance of the Executive Mayor (Supervising Authority) regarding credit control and debt collection.
- 4.1.9. To revise the budget should Council's targets for credit control and debt collection not be met.
- 4.1.10. To take disciplinary and/or legal action against councillors, officials and agents who do not execute council policies and by-laws, or act improperly in terms of such policies and by-laws.
- 4.1.11. To approve a list of attorneys that will act for Council in all legal matters relating to debt collection.
- 4.1.12. To delegate the required authorities to monitor and execute the credit control and debt collection policy to the Executive Mayor and Municipal Manager and Service Provider respectively.
- 4.1.13. To provide sufficient capacity in the Municipality's Budget and Treasury Office Department for credit control and debt collection
- 4.1.14. Alternatively to appoint a Service Provider, or debt collection agent.
- 4.1.15. To assist the Municipal Manager in the execution of his duties, if and when required.

4.2. Duties and Functions of Executive Mayor

- 4.2.1. To ensure that Council's budget, cash flow and targets for debt collection are met and executed in terms of the policy and relevant by-laws.
- 4.2.2. To monitor the performance of the Municipal Manager in implementing the policies and by-laws.
- 4.2.3. To review and evaluate the policy and by-laws in order to improve the efficiency of Council's credit control and debt collection procedures, mechanisms and processes.
- 4.2.4. To report quarterly to the Council.

4.3. Duties and Functions of the Municipal Manager

- 4.3.1. To implement good customer care management systems.
- 4.3.2. To implement council's credit control and debt collection policy.
- 4.3.3. To install and maintain an appropriate accounting system.
- 4.3.4. To bill customers.
- 4.3.5. To demand payment on due dates.
- 4.3.6. To raise penalties for defaults.
- 4.3.7. To appropriate payments received.
- 4.3.8. To collect outstanding debt.

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- 4.3.9. To provide different payment methods.
- 4.3.10. To determine credit control and debt collection measures.
- 4.3.11. To determine all relevant work procedures for, inter alia, public relations, arrangements, disconnections of services, summonses, attachments of assets, sales in execution, write-off of debts, sundry debtors and legal processes.
- 4.3.12. To instruct attorneys to proceed with the legal process (i.e. attachment and sale in execution of assets, emolument attachment orders etc.).
- 4.3.13. To set performance targets for staff.
- 4.3.14. To appoint the staff to execute and enforce Council's by-law.
- 4.3.15. To delegate certain functions to heads of departments.
- 4.3.16. To determine control procedures.
- 4.3.17. To monitor contracts with service providers in connection with credit control and debt collection

4.4. Duties and Functions of Communities, Ratepayers and Residents

- 4.4.1. To fulfill certain responsibilities, as brought about by the privilege and or right to use and enjoy public facilities and municipal services.
- 4.4.2. To pay service fees, rates on property and other taxes, levies and duties imposed by the municipality.
- 4.4.3. To observe the mechanisms and processes of the municipality in exercising their rights.
- 4.4.4. To allow municipal officials access to their property to execute municipal functions at a time that is agreeable by the consumer and municipal officials.
- 4.4.5. To comply with the by-laws and other legislation of the municipality.
- 4.4.6. To refrain from tampering with municipal services and property.

4.5. Duties and Functions of Councillors

- 4.5.1. To hold regular ward meetings.
- 4.5.2. To adhere to and convey council policies and by-laws to residents and ratepayers.
- 4.5.3. To adhere to the Code of Conduct for Councillors.
- 4.5.4. Ward Committees will act in terms of roles and functions as approved by Council.
- 4.5.5. To address the unacceptable level of indebtedness within his or her ward as advised from time to time by the Executive Mayor (supervisory authority) and the Councilor concerned:

- (a) must without delay convene a meeting of the ward committee and report the matter to the committee or meeting for discussion and advise; and
- (b) make appropriate recommendation to the supervisory authority.

CHAPTER 2

CUSTOMER CARE AND MANAGEMENT

5. Provision of Municipal Services to Customers

- 5.1 The Municipal services will be provided only to property owners and the consumption levied together with the rates and services into the owner's Municipal account. The Municipality will open a consumer account only for the owners and not for tenants. All existing consumer accounts tenants will be closed upon termination of service contract with the Municipality. The municipal services will be provided to any new customer only under the following conditions:-
- 5.1.1. When application for the service has been made in writing on the prescribed form hereto attached as:
 - (a) Annexure A for customers, and
 - (b) Annexure B for business Consumers who are registered owners of the business.
 - 5.1.2. Any information and documentation required by the council have been furnished;
 - 5.1.3. When a service agreement in the prescribed agreement form has been entered into between the customer and the Council; and
 - 5.1.4. An amount as prescribed in terms of section 7 below, in cash or bank cheque, has been deposited as security or other acceptable security, as prescribed, has been furnished; and
 - 5.1.5. The applicant is not a tenant at the property that he/she occupies.
- 5.2. If an applicant for a municipal service is an existing customer of the Council in respect of any other municipal service in respect of which any amount is in areas:

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- 5.2.1. Such arrears must be paid; or
- 5.2.2. An agreement for payment of the arrears in terms of section 21 below must have been entered into and payment in terms thereof must not be in arrears
- 5.3. The contents of the service agreement will include the following conditions:
 - 5.3.1. An undertaking by customers:
 - (a) That they are liable for the costs of collection, including any administration fees, penalties for late payment, legal costs, interest, disconnection fees and reconnection fees; and
 - (b) That any alleged non-receipt of an account does not stop the collection process.
 - 5.3.2. An undertaking by Council:
 - (a) That it will deliver accounts to customers; and
 - (b) That it will inform customers that they are required to request statements in the event that they do not receive an account.
- 5.4. Full and concise details must be provided on application for a consumer agreement. All staff with customer contact must endeavour to update personal records whenever customers liaise with our offices.
- 5.5. Certified copies of identity documents, company registration and resolutions are necessary for registration purposes and are used to determine, at the time of application whether:
 - 5.5.1. Other accounts are currently held; and
 - 5.5.2. Debts are still outstanding on previous accounts.
- 5.6. Metered services consumed by an unknown consumer are billed to the owner of the property to which the service connection is registered. Consumers who are to be billed separately must enter into a service agreement to have access to these services. No service agreement is valid without the written consent of the registered owner of the property.
- 5.7. A customer will terminate an agreement with the municipality for the provision of any municipal service by notice in writing (completing the relevant service discontinuation and account closure forms of the municipality) not less than seven working days before the time.

5.7.1. The municipality may, subject to compliance with the provisions of the relevant By-laws and any other applicable law, terminate the agreement for the provision of a municipal service to a customer, by notice in writing of not less than 14 working days, if the customer:

- a) has not used the municipal service during the preceding six months and has not made arrangement to the satisfaction of the municipality for the continuation of the relevant agreement; or
- b) has made an arrangement with another service provider to provide the municipal service concerned to the customer; or
- c) has vacated the premises to which the agreement concerned relates.

6. Customer Registration (Service Contract)

6.1. Municipality must ensure that the registration of new and existing customers is efficiently performed in regard to the following:

6.1.1. New customer registrations must be correctly administered with the fully completed legal contracts being duly signed. These contracts must be retained and be readily accessible to authorized persons only;

6.1.2. Full concise details must be provided on application for a consumer agreement. All staff with customer contact must endeavour to update personal records whenever consumer liaises with the office;

6.1.3. Certified copies of identity documents, company registration and resolutions are necessary for registration purposes and are used to determine at the time of application, whether:

6.1.3.1. Other accounts are currently held; and

6.1.3.2. Debts are still outstanding on previous accounts.

6.1.4. Upon registration, new consumers must pay a cash deposit as determined from time to time; and

6.1.5. The Municipality will verify through its billing system that the prospective account holder/owner does not have an outstanding account in respect of another property. Should it transpire that there is an existing account, which is in

arrears; this account will have to be paid before a new account can be opened.

7. Service deposits

- 7.1. The deposits are payable when new customers sign-on and when existing customers move to a new supply address.
- 7.2. The deposit to be paid must be an amount equals to an average of two months services charges, as calculated by the duly authorized municipal official.
- 7.3. The Council may from time to time increase a deposit as determined in 7.2 required to be paid by a customer to suit particular circumstances.
- 7.4. The service deposit will automatically be adjusted upwards after the customer service is disconnected due to non-payment and this will happen in addition to a service reconnection fee.
- 7.5. Deposit received will be reviewed annually and a register must be maintained for this purpose. The total sum of deposit received shall constitute a short-term liability in the books of the municipality.
- 7.6. The service deposits held by the municipality will not earn interest.
- 7.7. Upon termination of the service contract with the municipality, the deposit will first be offset against any out standing balance (if any) owed to the municipality, and the remainder thereof will be refunded to the customer.

8. Accounts administration

- 8.1. The municipality will consolidate any separate accounts for all services charged to a property of consumers liable for payments and issue one bill to the owner of such a property and will distinguish between various individual debtors or debtor types in this regard;
- 8.2. The municipality will endeavor to ensure:
 - 8.2.1. Accurate metering of consumption at fixed monthly intervals with the minimum delay between service connection and first and subsequent billing.
 - 8.2.2. Where no reading can be obtained, interim readings (estimations) will be charged.
 - 8.2.3. Accurate up-to-date customer information.

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- 8.2.4. Accurate monthly billing with the application of appropriate and correct prescribed tariffs and service charges rates and other related amounts due to and payable.
 - 8.2.5. Ensuring the timely dispatch of accounts to all customers.
 - 8.2.6. Adequate provision and the efficient operation of pay facilities throughout the municipality.
 - 8.2.7. Arrangements with third party institutions to accept payments on behalf of the municipality. Responsibility to ensure that payments are reflected on the account is vested with the debtor.
 - 8.2.8. Appropriate hours of business to facilitate account payments.
 - 8.2.9. Credit timeously any payment against the correct customers account.
 - 8.2.10. Implement any of any debt collection and credit control measures provided for in these regulations in respect of any areas on any of the accounts of such a customer.
 - 8.2.11. To provide easily understandable accounts which will at most contains the following information:
 - a) the consumption or estimated consumption of water and electricity as determined for the measuring or consumption period;
 - b) the measuring or consumption period for water and electricity;
 - c) the amount due based on the measured or estimated consumption;
 - d) the amount due and payable for any other municipal services
 - e) the amount in arrears if any;
 - f) the interest payable on any areas , if any, collection charges in so far as they may be relevant;
 - g) the final date for payment; and
 - h) The methods, places and approved agents where payment may be made.
- 8.3. A Customer is responsible to ensure access to metering equipment at a time that is agreeable by the consumer and the municipal officials and will accept any cost to ensure access (such as relocating the meter) if satisfactory access is not possible.

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- 8.4. Council will allow readings taken by customers and submitted either telephonically, fax or personally under the following conditions:
- 8.4.1. provided the municipality obtains any final reading should the customer move to another supply address;
 - 8.4.2. an audit reading during the normal reading cycles must be obtained once every four months; and
 - 8.4.3. the Chief Financial Officer may, however, cancel the voluntary reading convenience if the customer fails to ensure the audit reading is obtained or should the customer fail to render readings on two consecutive occasions.
- 8.5. Although the Municipality undertakes to render a monthly account for the amount due to debtors, failure thereof does not relieve a debtor of the obligation to pay the amount. In the event of non-receipt of an account, the onus rests on the account holder to obtain a free copy of the account, before the due date.
- 8.6. Payments for accounts must be received on or before the due date at a Municipal pay-point by the close of business. In the case of any electronic payments or payments via agents, the money must be received in the municipal bank account on or before the due date and not later than the close of Business.
- 8.7. The municipality will hold any amount paid by a customer, which is in excess of an existing debt, in credit for the customer in anticipation of future rates and fees for municipal services owing.

9. Notice and documents

- 9.1. Consumers will be notified of their unpaid accounts prior to the commencement of the debt collection process;
- 9.2. A notice or documents issued by the Council in terms of this policy shall be deemed to be duly issued when after signed by an officer authorized by the Council is:
- 9.2.1. Delivered to the customer personally or to his or her duly authorized agent;
 - 9.2.2. Delivered at the customer's residence or place of employment.
 - 9.2.3. If the customer has nominated an address for legal purposes, by delivering the notice to such an address;
 - 9.2.4. Registered or certified post address to his or her last known address;
 - 9.2.5. In the event of body corporate, by delivering it at the registered office or the business premises of such body corporate;

- 9.3. If service cannot be effected in terms of paragraphs 9.2.1 to 9.2.5 such may be served by affixing it to the principal door of entry to the premises, or placing it to a conspicuous place on the land to which it relates.

10. Queries or complains in respect of accounts

- 10.1. A customer may lodge a query or complain in respect of the accuracy of any amount due and payable in terms of an account rendered to him or her in terms of this policy.
- 10.2. Any resident or consumer who may feel aggrieved concerning his/her account may address a query / appeal to the Manager: Revenue Management or visit any Customer Care Office provided by the municipality.
- 10.3. A query or complain must be lodged with the council before or on the due date for payment specified in the accounts concerned, or as soon as reasonable possible thereafter.
- 10.4. A customer who has lodged an enquiry is not relieved of the responsibility to maintain regular payment of the account. An interim payment of an amount at least equal to the average amount that was due and payable in respect of rates or the municipal services concerned, as specified in the accounts for the preceding three months which are not in dispute, must be paid by the customer concerned before or such due date. Failure to make a payment will result in debt collection action been instituted against the customer.
- 10.5. An Authorized Official must register the query or complain and provide the customer with reference number.
- 10.6. The Council must-
- 10.6.1. Investigate or cause the query or complain to be investigated within 14 days, or as soon as possible after the query or complain was received; and
 - 10.6.2. Inform the customer, in writing of its decision as soon as possible after conclusion of the investigation, and if any amount is found to be payable such must be paid within 21 days from the date on which the customer is notified, unless an appeal is lodge within that period. However, in the event of any amount in excess of an existing customer's debt, the Municipality will hold such amount in credit for the customer in anticipation of future rates and fees for Municipal services owing.

- 10.7. A customer may lodge an appeal with the Chief Financial Officer or Accounting officer against the decision referred to in paragraph 10.6.2 within 21 days of the date of the notification of the decision.
- 10.8. The Council must inform the customer concerned in writing of the decision on the appeal, instructing that any amount found to be due and payable is notified thereof.
- 10.9. If a customer has received a response and is still not satisfied with the outcome of the appeal, the customer may approach the relevant Ward Councillor to assist with the enquiry.

CHAPTER 3

CREDIT CONTROL AND DEBT COLLECTION

11. Arrears accounts

- 11.1. If a Customer fails to pay an amount due and payable for any municipal services on or before the due date for payment specified in the account, a final demand notice may be sent to the customer in terms of section 9 below of this policy and such a notice must contain the following:
 - 11.1.1. the amount in arrears including any interest payable and instruction that such an amount must be paid within 7 days of the date of the final demand notice; or
 - 11.1.2. that the customer may in terms of section 21 enter into payment arrangement that must be concluded in a written agreement with the Council for payment of the arrears on installment basis; or
 - 11.1.3. that if no such agreement is entered into within the period stipulated in paragraph 11.1.2 the municipal services concerned will be terminated/restricted.
- 11.2. That the customer has an opportunity to make representation in writing on any matter referred in a final demand notice within the period of 7 days contemplated in paragraph 11.1.1.
- 11.3. In addition to notices customers with large services accounts will also be managed by telephonic and personal contact with them on a higher management level, e.g. corporate business and government departments.

12. Action to secure payment

- 12.1. The Council may, in addition to the normal civil legal procedures to secure payment of accounts that are in arrear, take the following actions to secure payment for municipal rates and services:
- 12.1.1. Termination and restriction of the provision of services; and
 - 12.1.2. Allocating a portion of payments or prepayment purchases to service charges arrears or future charges.
- 12.2. Arrear accounts for customers who make no further use of any services are considered inactive debtors who will automatically be handed over for collection to a debt collector appointed for this purpose, provided that:
- 12.2.1. the amount owing on such an inactive account is more than R500; and
 - 12.2.2. if smaller than R500 less costly recovery action due to the cost-benefit ratio of such a case will be instituted at the discretion of the Chief Financial Officer.

13. Payment Terms and Interest Charges

- 13.1. The normal payment term for all categories of customers for the rates and services accounts is on or before the due date prescribed on account statements.
- 13.2. Interest at the prime bank lending rate plus two percent (2%) is charged on all business consumer accounts or portions of accounts which are not settled / paid on due date.
- 13.3. Interest at the prime bank lending rate plus two percent (2%) is charged on all domestic consumer accounts or portions of accounts which are not settled / paid on due date.
- 13.4. Payment/s or amount/s received will be allocated towards the oldest debt first and thereafter to current charges in the following order:
- 13.4.1. Interest, Admin costs, Legal and Credit Control charges, any other charges by the municipality, Rates, Refuse, Sewer, Water and lastly to Electricity .

14. Dishonored payments

- 14.1. Where any payment made to the municipality is later dishonored by the bank, the municipality may levy such cost and administration fees against

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an account of the defaulting debtor in terms of the municipality's tariffs provisions.

- 14.2. The delegated official may, in his discretion, require a defaulter to pay by cash with immediate effect and failure to recover such monies may result in services being terminated.

15. Legal fees

- 15.1. All legal cost, including attorney and own client cost incurred in the recovery of amounts in arrears shall be levied against the arrears against the arrears account of the debtor.

16. Cost to remind debtors/arrear accounts

- 16.1. For any action taken in demanding payment from the debtor or reminding the debtor by means of telephone, fax, email, letter or otherwise, that his/her payments are due, a penalty fee may be levied against the accounts of the debtor in terms of the municipality tariffs provision.

17. Disconnection fees/Reconnection fees

- 17.1. Where any service is disconnected as a result of a non-compliance with the provisions of this policy by the customer, the municipality shall be entitled to levy and recover the standard disconnection fee, as determined by the municipality from time to time, from the user of these services.
- 17.2. The authorized official shall authorize the reconnection of service or reinstatement of service delivery after satisfactory payment and /or arrangement for payment has been made in accordance with the provisions of this policy.

18. Power to restrict or disconnect supply of service

- 18.1. The Council may restrict or disconnect the supply of water and electricity (including services provided through pre-paid meters) or discontinue any other service to any premises whenever a user of any service:
 - 18.1.1. fails to make full payment on the due date or fails to make acceptable arrangement for the repayment of any arrear amount for services , rates or taxes;
 - 18.1.2. fails to comply with a condition of supply imposed by the municipality;
 - 18.1.3. obstruct the efficient supply of electricity, water or any other municipal services to another customer;

- 18.1.4. supplies such municipal service to a person who is not entitled thereto or permits such services to continue;
 - 18.1.5. causes a situation which in the opinion of the municipality is dangerous or contravention of relevant legislation;
 - 18.1.6. is placed under provision of sequestration , liquidation or judicial management or commits an act of insolvency in terms of the Insolvency Act No 24 of 1936;
 - 18.1.7. if an administration order is granted in terms of section 74 of the Magistrate Court Act No, 32 of 1944 in respect of such user;
 - 18.1.8. if the council fail to obtain the actual readings for three consecutive months and the owner/occupier was notified in writing to avail the readings but fail to respond within the prescribe time.
- 18.2. The municipality shall reconnect and/or restore full levels of supply of any of the restricted or discontinued services only after the full amount outstanding and due, including the cost of such disconnection and reconnection in terms of this policy have been paid.
- 18.3. The right to restrict, disconnect or terminate services due to non payment shall be in respect of any services and shall prevail notwithstanding the fact that payment has been made in respect of any specific service and shall prevail notwithstanding the fact that the person who entered into agreement for supply of services with the municipality and the owner are different entities or person, as the case may be.

19. Power of entry and inspection

- 19.1. A duly authorized representative of the Council may for any purpose related for the implementation or enforcement of this policy at all reasonable times or in an emergency at any time, enter premises, request information and carry out such inspection and examination as he or she may deem necessary and for the purpose of stopping or restricting the provision of any services.
- 19.2. If the council considers it necessary to apply some measurers to enable an officer to perform a function referred to in 19.1 above properly and effectively, it may:
- 19.2.1. by written notice require the owner or occupier of the premises at his or her own expense to do specified work within a specified period; or
 - 19.2.2. if in its opinion the situation is matter or urgency, without prior notice do such work or cause it to be done at expense of the owner.

- 19.3. If the work referred to in 19.2 above is carried out for the sole purpose of establishing whether a contravention of this policy has been committed and no such contravention has taken place the council shall bear the expense connected therewith together with that of restoring the premise to their former condition.

20. Re-instatement of municipal services

- 20.1. The council shall re-instate full levels for the provision of any electricity or water services terminated or restricted in terms of section 18 above after:
- 20.1.1. The full amount in arrears has been paid;
 - 20.1.2. An initial payment of 20% in case of natural persons and 50% in case of unnatural persons (companies) of the whole balance has been paid;
 - 20.1.3. An agreement for payment of the arrears has been entered into in terms of section 21;
 - 20.1.4. The full amount of arrears in respect of any agreement entered into in terms of section 21, and any increased deposits, have been paid, or any additional security required has been provided, and any other condition of the Policy that the Council may consider appropriate, has been complied with.
- 20.2. The municipality may when re-instating municipal services install or convert conventional metering system for household customers who default (fail to pay by a due date) in order to maximise cost recovery and revenue collection.

21. Arrangement to pay outstanding and due amount in consecutive installments

- 21.1. The debtor may enter into a written agreement with the Council to repay an outstanding and due amount to the Council under the following conditions:
- 21.1.1. the outstanding balance, cost and any interest thereon shall be paid in regular and consecutive monthly installments for a period determined by Council from time to time.
 - 21.1.2. the written agreement has to be signed on behalf of the Council by duly authorize officer.
 - 21.1.3. the debtor agrees to honour in full the current account while simultaneously reducing the arrears.
 - 21.1.4. the debtors agree that special arrangements allowed to settle arrears are treated as a once-off opportunity to account holders who have fallen into arrears. Individuals

- who did not honour a previous agreement will therefore not be considered for a new agreement, unless exceptional circumstances are found to have existed.
- 21.1.5. the debtor agrees that regular monthly installment payments must be maintained. Failure to maintain monthly installment payment for one (1) month will result in the restriction/disconnection of services whereas three (3) consecutive months shall result in the cancellation of the agreed arrangement and all future installments become payable.
- 21.2. Should any dispute arise as to the amount owing by an owner in respect of municipal services the owner shall notwithstanding such dispute proceed to make regular minimum payments based on the calculation of the average municipal account for the preceding three months prior to the arising of the dispute and taking into account interest as well as annual amendments of tariffs of the Council.
- 21.3. The total arrear amount which is subject to the agreed arrangement will cease to attract interest if the arrangement is honoured. If, however, the arrangement is dishonoured, interest will immediately be levied retrospectively and the whole outstanding amount becomes due and payable.
- 21.4. Customers who are indebted to the municipality for rates and services submitting building plans and application for sub-division or rezoning for approval may make arrangement but will first have to settle their arrears in total before such approval can be granted. Only bank guaranteed cheques or cash payments for such rates and services will be accepted.
- 21.5. Businesses placed under provisional or actual liquidation, will only be allowed to purchase services on a pre-payment basis. Prepaid meters will not be installed if there is an outstanding balance on the account/s, unless an arrangement is made to settle the arrears. Payment for the prepaid meter must be carried by the business and the municipality will notify the owner of the property that a prepayment meter has been installed on his property and why it has been done.

22. Full and Final settlement of an amount

- 22.1. The Council may appropriate monies received in respect of any debt contemplated in this policy at its sole discretion, unless the customer otherwise instructs in writing.
- 22.2. If any lesser amount tendered and accepted by the Council employee in respect of the amount due and payable to the Council is not in line with

this policy that payment will not constitute payment in full and final settlement unless such employee has been delegated the powers by this policy that permit for the exercise of his or her discretion in the interest of the municipality.

23. Recovery in terms of Clearance Certificate

23.1. A register of deeds or other registration officer of immovable property may not register the transfer of property except on production to that registration officer of a prescribed certificate:

- 23.1.1. issued by the Municipality in which that property is situated; and
- 23.1.2. which certifies that all amount due in connection with that property for taxes, levies and duties during the three years preceding the date of application for the certificate have been fully paid.

23.2. In the case of transfer of immovable property by a trustee of an insolvent estate, the provision of this section are subject to section 89 of the Insolvency Act, 1936 (Act No. 24 of 1936)

23.3. An amount due for Municipal services fees, surcharges on fees, property rates and other municipal rates, levies, and duties, is a charge upon the property in connection with which the amount owes and enjoys preference over any mortgage bond registered against the property.

24. Customer assistance

24.1. Incentives scheme.

- 24.1.1. The Council may from time to time implement incentives to promote prompt payment of accounts by encouraging ratepayers /consumers who are in arrears in respect of the payment of their accounts to clear their outstanding debt within a reasonable period of time.
- 24.1.2. The incentives offered in this policy will only be valid for a limited period of time, where after the Council will revert to normal sanctions to those customers who remain in default. The following incentives are offered when arrangement is made to settle debt outstanding in terms of section 22 above:
 - a) interest raised will be granted written back when once off payment/settlement is made

- b) 80% of interest raised on the area amount will granted on settlement of the account in two monthly installments.
- c) 60% of interest raised will be granted if the area amount is settled within three consecutive installments

24.2. Rate rebate.

- 24.2.1. Properties used exclusively for residential purpose may qualify for a property rebate as determined annually by the municipality by resolution provided that any additional rebates will only be granted to customers receiving old age pensioners or state disability grants.
- 24.2.2. Application for the additional rebate over and above standard rebates approved must be made in writing annually to reach the Department of Budget & Treasury Office before 30th June and the application must be made by a registered owner who is residing on the property in question. Applicants must note that the application when considered will take into account any sub-letting to tenants of portion of the premises.

24.3. Free basic services.

- 24.3.1. Council will provide free basic services to domestic debtors, on a monthly basis in quantities as determined from time to time and such determination will also be in line with the Indigent Policy.
- 24.3.2. If it is necessary to disconnect any service in terms of this Policy, the free portion of such a service provided in terms of the provision in the above paragraph, will also not be available for as long as that service is to remain disconnected.

24.4. Indigent assistance programme.

- 24.1. The household account holders may apply to the municipality, in the prescribed manner, to be declared indigent in terms of the conditions provided for in the Council's indigent policy

25. Credit control and debt collection of employee accounts

- 25.1. Municipal Systems Act schedule 2 section 10 states that *"a staff member of a municipality may not be in arrears to the municipality for*

rates and service charges for a period longer than 3 months, and a municipality may deduct any outstanding amounts from the staff member's salary after this period."

- 25.2. Payment of arrear amounts by staff may by arrangement agreed upon be extended to a maximum of 12 months in exceptional circumstances in order to deal with previous accumulated arrears and within the prescripts of the Basic Conditions of Employment Act.
- 25.3. Thereafter no further arrears may be accumulated. In order to ensure timeous, assured payment of employee accounts, all employees when making arrangement to settle their debt and to keep up with their current municipal services accounts will be subject to salary deduction.
- 24.4. The employees who fail to make arrangement to settle their arrear accounts and those who keep falling into arrears because they reject the salary deduction option in terms of section 10 of schedule 2 of the Municipal Systems Act may be subjected to disciplinary action.

26. Credit control and debt collection of councillor accounts

- 26.1. In terms of the Municipal Finance Management Act (No 56 of 2003), S124 (b). *"The notes to the annual financial statements of a municipality must include particulars ofany arrears owed by individual councilors to the municipalityfor rates or services and which at any time during the relevant financial year were outstanding for more than 90 days, including the names of those councilors....."*
- 26.2. In order to ensure timeous, assured payment of councilor accounts, all councilors shall be subject to an automatic deduction instituted against their councilor allowance payments on a monthly basis.

CHAPTER 4

WRITTEN OFF

27. Writing off of bad debts

- 27.1. The main purpose of writing off of bad debts is to ensure:
 - 27.1.1. Consistency in writing off bad debts
 - 27.1.2. Proper authorization at appropriate levels for write offs
 - 27.1.3. Ensure efficient and effective debts collection

28. Writes off principles

- 28.1. The bad debts will be written off after the Council is convinced that:
- 28.1.1. Recovery will cause undue hardship to the debtor or his/her dependants.
 - 28.1.2. Recovery is uneconomic or not cost effective.
 - 28.1.3. That all other policies which are affected by the write off (eg indigent management policy) have been considered.
 - 28.1.4. The respective collection mechanisms are exhausted before an account is considered for the write off.
 - 28.1.5. A full report of all amounts to be written-off will be presented to the Council on quarterly basis for approval.
 - 28.1.6. The write-offs of Indigent household debts will be undertaken in terms of the approved Council's Indigent household policy.

29. Conditions under which write off is applicable

- 29.1. Debt owed to Council due to consumed metered services, i.e. water and electricity consumption will be regarded as irrecoverable in the following instances:
- 29.1.1. Where the consumer is untraceable;
 - 29.1.2. If the debt has prescribed;
 - 29.1.3. Insolvent estates;
 - 29.1.4. Where debt is paid off in terms of arrangement and incentive scheme provided for in section 21 and 24.1 of this policy; and
 - 29.1.5. Interest or charges levied on accounts as a result of a system of employee error including alteration not affected timeously on Council records..
- 29.2. Debt owed to Council arising from sundry services rendered by Council will be regarded as irrecoverable in the following instances:
- 29.2.1. Where the debtor is untraceable; and
 - 29.2.2. If the debt has prescribed;
- 29.3. The writing off in terms of section 29.1.1 to 29.1.3 and 29.2.1 to 29.2.2 of individual debt above one thousand rand (R1 000.00) will take place only after the approval of Council, and the writing off of individual debt amounting to one thousand rand (R1 000.00) and below will be effected after the approval of both the Municipal Manager and Chief Financial Officer.
- 29.4. The writing off in terms of section 29.1.4 will automatically take place in the next billing run as soon as error is realized and that in terms of section 29.1.4 will be automatically take place once the outstanding debt is paid up in accordance with the arrangement made.

29.5. Debt raised by Council for the services rendered to registered owners of the property/land i.e. Assessment Rates, Refuse removal, Sewerage, Basic electricity and Basic water will not be written-off except when the property is disposed off in the liquidation process and the proceeds do not cover the outstanding debt, the balance can then be written-off as irrecoverable.

29.6. In the event whereby the Council approved the write-off of any debt and the possibilities eventually arise to recover such debt, those possibilities will depending on the costs involved be affected and the recovered debt, if any, will be recorded in the financial records of Council as Bad Debts recovered.

30. Provision for irrecoverable Debt.

30.1. Provision for Bad debt/irrecoverable debt will constitute accounts that are 90 days and more in arrears where there was no payment for twelve (12) months.

CHAPTER 5

GENERAL PROVISIONS

31. Reporting of defaulters

31.1. The Council may in its discretion through a duly delegated officer report such person that owes the Council monies to bodies that collate and retain such information. The Information that would be included in such a report shall be the available personal information of the defaulter, or in the event of legal person, the available statutory details, including information pertaining to the responsible officer of such legal person.

32. Offences

32.1. A person who-

32.1.1. A person who fails to give the access required by an officer in terms of this policy;

32.1.2. Obstruct or hinders an officer in the exercise of his or her powers or performance of functions or duties under this policy;

32.1.3. Uses or interfaces with Council Equipment or consumption of services supplied;

SUBSTITUTED ANNEXURE

- 32.1.4. Tamper or breaks any seal on meter or any equipment belonging to the council, or for any reason as determined by the treasurer causes a meter not to properly register the service used , shall be charged for usage , estimated by the treasurer based on the average usage;
- 32.1.5. Fails or refuses to give an officer such information as he or she may reasonable require for the purpose of excising his or her powers or functions under this policy or gives such an officer false or misleading information knowing it to be false or misleading;
- 32.1.6. Contravenes or fails to comply with a provision of this policy; and
- 32.1.7. Fails to comply with the terms of a notice served upon him or her in terms of this policy.

33. Payment facilities and methods

- 33.1. Municipal payment and enquiry facilities will be maintained subject to acceptable levels of activity when compared to the operational costs. The Municipal Manager or his/her designate has the discretion to open and close offices as required.
- 33.2. The consumer acknowledges that any agent used for transmitting payments to the Municipality is at the risk and cost of the consumer. In addition the consumer must take into account the transfer time of the particular agent.
- 33.3. A range of payment methods are available and may be extended as required subject to financial implications. The Municipality shall actively monitor the effectiveness of pay facilities, methods and convenience for consumers.
- 33.4. The Chief Financial Officer shall allocate payments according to pre-determined priorities.

34. Theft and fraud

- 34.1. The Municipality does not condone theft and fraud of municipal services and will monitor the service networks for signs of tampering or irregularities.
- 34.2. The Council may approve specific penalties and distinguish between cases of vandalism and theft.

- 34.3. Subsequent acts of tampering may lead to a refusal to supply certain services for determined periods.

35. Communication with communities and other stakeholders

- 35.1. On approval of the new policy, a comprehensive communication plan will be implemented through the Marketing and Communication Unit in conjunction with the relevant Department, in order to advise ratepayers and consumers regarding incentives, payment terms and arrangements in the following languages mostly spoken within the municipal jurisdiction. This will be done in conjunction with the ward committees.

36. Reporting and performance management

- 36.1. The Chief Financial Officer shall report monthly to the Municipal Manager in a suitable format to enable the Municipal Manager to report to the Executive Mayor as supervisory authority in terms of section 99 of the Systems Act, read with section 100(c). This report shall contain particulars on:

36.1.1. Cash collection statistics, showing high-level debt recovery information (numbers of customers; enquires; arrangements; default arrangements; growth or reduction of arrear debt). Where possible, the statistics should ideally be divided into wards, business (commerce and industry), domestic, state, institutional and other such divisions.

36.1.2. If in the opinion of the Chief Financial Officer, Council will not achieve cash receipt income equivalent of the income projected in the annual budget as approved by Council, the Chief Financial Officer will report this with motivation to the Municipal Manager who will, if he agrees with the Chief Financial Officer, immediately move for a revision of the budget according to realistically realizable income levels.

- 36.2. The Executive Mayor as Supervisory Authority shall, at intervals of 3 months, report to Council as contemplated in section 99(c) of the Systems Act.

37. Income collection target

- 37.1. The long-term target is a debtor turnover ratio of 45 days, that is, debtors are expected to pay for services on average in a month and a half.

38. Application of the policy

- 38.1. The Council reserves the right to differentiate between different categories of consumers, debtors, services or service standards when applying the Policy. The Council will on application of the credit control policy avoid discrimination as forbidden by the Constitution unless it is established that the discrimination is fair as allowed by the Constitution.

39. Code of ethics

- 39.1. All the Rustenburg Local Municipality's officials shall embrace the spirit of **Batho Pele** and treat all debtors with dignity and respect at all times.
- 39.2. Employees shall execute their duties in an honest and transparent manner whilst protecting the confidentiality of information in accordance with the Promotion of Access to Information Act (PAIA).